LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7049 **NOTE PREPARED:** May 4, 2013
BILL NUMBER: HB 1545 **BILL AMENDED:** Apr 27, 2013

SUBJECT: Various Tax Matters.

FIRST AUTHOR: Rep. Turner **BILL STATUS:** Enrolled
FIRST SPONSOR: Sen. Hershman

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: The bill contains the following provisions:

Abatements: This bill amends the law regarding economic revitalization areas to:

(1) Allow a designating body to establish an abatement schedule in all cases (current law allows designating bodies to establish an alternative abatement schedule);
(2) Provide that an abatement schedule approved for a particular taxpayer before July 1, 2013, remains in effect until the abatement schedule expires under the terms of the resolution approving the taxpayer's statement of benefits;
(3) Repeal a statute authorizing enhanced abatements; and
(4) Remove references to deadline dates that have already passed.

Common Areas: The bill defines the term "common areas" for purposes of the circuit breaker credit law. It provides that for purposes of the circuit breaker credit, the land that is a common area shared by dwelling units of a building that includes two or more dwelling units is considered "residential property". (Current law limits the land eligible to be classified as "residential property" to only the area of the building footprint.)

Interest Rates: The bill specifies that when a taxpayer is entitled to interest, the interest shall be computed using the rate in effect for each particular year covered by a refund or credit. It specifies that when a taxpayer is required to pay interest, the interest shall be computed using the rate in effect for each particular year in which the interest accrued.

Sales Tax - Aircraft Repair, Maintenance, and Remodeling: The bill removes the requirements that aircraft be registered out of the United States and be of a certain size for the Sales and Use Tax exemption regarding tangible personal property used for the repair, maintenance, refurbishment, remodeling, or remanufacturing of an aircraft or an avionics system of an aircraft.

Sales Tax - Aviation Fuel: It provides a Sales Tax exemption for fuel used in powering an aircraft.

Aviation Fuel Excise Tax: The bill imposes an excise tax on the sale of aviation fuel.

Sales Tax Exemption - Research and Development Property: The bill expands the Sales Tax exemption for research and development equipment to include any tangible personal property used for research and development, regardless of whether the person acquiring the property is the ultimate manufacturer or seller of the product that is the subject of the research and development.

Hoosier Business Investment Tax Credit: It adds logistics investments as a specific type of qualified investment under the Hoosier Business Investment Tax Credit (HBI). The bill specifies expenditures that qualify as a logistics investment. It requires the Indiana Economic Development Corporation (IEDC) to find that an applicant's logistics investment project will enhance the logistics industry by creating new jobs, preserving existing jobs that otherwise would be lost, increasing wages in Indiana, or improving the overall Indiana economy in order to approve the applicant's project for a tax credit. The bill makes conforming changes to the credit application and agreement provisions. The bill provides that the percentage credit maximum is 25% (instead of 10%) if a qualified investment is a logistics investment. The bill provides that for logistics investments, the qualified investments used to determine the credit are based on growth in qualified investments by the taxpayer using 105% of the investments made by the taxpayer during the immediately preceding two years. It adds a $50 M state fiscal year ceiling for tax credits that are not based on logistics investments. It provides a $10 M state fiscal year ceiling for tax credits that are based on logistics investments. It also requires the Department of State Revenue (DOR) to annually report to the Budget Committee on the use of the tax credit for logistics investments.

Tax Credit Modifications: The bill makes numerous changes to the administration of the Headquarters Relocation Tax Credit, Industrial Recovery Tax Credit, and the Venture Capital Investment Tax Credit.

Tax Credit Repeals: The bill repeals the Military Base Recovery Tax Credit, the Military Base Investment Cost Credit, the Capital Investment Tax Credit, and the Coal Combustion Product Tax Credit. It also repeals the following tax incentives concerning Airport Development Zones (ADZ): (1) Qualified Employee Deductions. (2) Credits for Qualified Increased Employment Expenditures. (3) Loan Interest Credits. (4) Neighborhood Assistance Credits. (5) Investment Cost Credits. It removes two unused definitions.

Income Tax Checkoff for K-12 Education: The bill adds, after December 31, 2014, the funding of public education for kindergarten through grade 12 as a charitable purpose to which an individual may choose to give all or part of the individual's income tax refund.

Rainy Day Fund Transfers: The bill specifies that the authority of political subdivisions to transfer any unobligated cash balances to the rainy day fund (RDF) does not authorize transfers from a debt service fund.

Exempt Property: The bill forgives property taxes, penalties, or interest for various properties owned by nonprofit organizations.

Effective Date: Upon passage; January 1, 2007 (retroactive); January 1, 2011 (retroactive); March 1, 2013 (retroactive) July 1, 2013; January 1, 2014; January 1, 2015.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The bill's requirements are within the DOR's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Indiana Economic Development Corporation (IEDC): This bill changes the eligibility criteria for the Hoosier Business Investment Tax Credit (HBI), Headquarters Relocation Tax Credit (HQR), Industrial Recovery Tax Credit (IR), and Venture Capital Investment Tax Credit (VCI). The IEDC will be required to modify their evaluation process for those credits. The IEDC's current level of staff and resources should be sufficient to implement the provisions in the bill.

Explanation of State Revenues: *Summary* - This bill establishes three sales tax exemptions, imposes an excise tax on aviation fuel, modifies four state income tax credits, and repeals nine state income tax credits. The table below shows the estimated state revenue impact of the provisions within the bill.

	FY 2014 ($ in millions)	**FY 2015 ($ in millions)**
Sales Tax Exemption: Aviation Fuel	($5.4 - $5.6)	($5.8 - $6.0)
Sales Tax Exemption: Aircraft Repair, Maintenance, and Remodeling	($1.2 - $1.7)	($1.2 - $1.8)
Sales Tax Exemption: Research and Development Property	($4.7 M)	($4.7 M)
Aviation Fuel Excise Tax	$2.2 - $2.5	$2.2 - $2.5
Headquarters Relocation Tax Credit	Indeterminable	Indeterminable
Hoosier Business Investment Tax Credit	$0	($10.0)
Industrial Recovery Tax Credit	($1.6)	($1.6)
Venture Capital Investment Tax Credit	$0	$0
Repealing Various Tax Credits*	$0	$0.04
Total	**($10.7 - $11.1)**	**($21.06 - $21.56)**
***Capital Investment Tax Credit, Coal Combustion Product Tax Credit, Military Based Investment Cost Tax Credit, Military Base Recovery Tax Credit, Airport Development Zone (ADZ) Employment Expense Tax Credit, ADZ Investment Cost Credit, ADZ Loan Interest Tax Credit, ADZ Neighborhood Assistance Credit, ADZ Qualified Employee Tax Deduction.**		

The majority of the income tax credits may be used to offset tax liabilities from the Individual Adjusted Gross Income Tax, Corporate Adjusted Gross Income Tax, Financial Institutions Tax, and Insurance Premiums Tax. Revenue collected from those taxes is deposited in the state General Fund.

Sales Tax collections are currently deposited in the state General Fund (99.848%), the Commuter Rail Service

Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Sales Tax Exemption - Aviation Fuel: Current law exempts aviation fuel purchases from sales tax if the fuel is used in public transportation. This bill would exempt the remaining aviation fuel purchases. The table below shows the estimated impact of the exemption on each fund receiving sales tax revenue.

Impact on Funds		Lower Limit Estimate		Upper Limit Estimate	
Fund	**Distribution**	**FY 2014**	**FY 2015**	**FY 2014**	**FY 2015**
General Fund	99.848%	($5,393,304)	($5,763,223)	($5,593,000)	($5,962,919)
Commuter Rail Service Fund	0.123%	(6,644)	(7,100)	(6,890)	(7,346)
Industrial Rail Service Fund	0.029%	(1,566)	(1,674)	(1,624)	(1,732)
Total	**100.000%**	**($5,401,514)**	**($5,771,996)**	**($5,601,514)**	**($5,971,996)**

This provision exempts two major types of fuel: jet fuel and aviation gasoline. Jet fuel is primarily used in large commercial aircraft, while aviation gasoline powers other types of smaller planes. It is estimated that the revenue loss associated with jet fuel could potentially total about $5.0 M in FY 2014 and $5.4 M in FY 2015; and the revenue loss associated with aviation gasoline could potentially total about $400,000 to $600,000 annually.

The jet fuel estimate is based on historic state-level consumption and price data compiled by the U.S. Energy Information Administration. The aviation gasoline estimate is based on actual sales tax collection data from the DOR for FY 2009 through FY 2012.

Sales Tax Exemption - Aircraft Repair, Maintenance, and Remodeling: Sales tax revenue could decrease by $1.17 M to $1.75 M in FY 2014 and by $1.22 M to $1.83 M in FY 2015. This bill expands the current sales tax exemption for items related to aircraft repair, maintenance, refurbishment, remodeling, or remanufacturing to include aircraft of any size that are registered in the United States. Under current statute, only items purchased for aircraft having a minimum landing weight of 5,000 pounds and registered outside the United States are exempt from sales tax. The table below shows the estimated impact of this bill on each fund in FY 2014 and FY 2015.

Impact on Funds		Lower Limit Estimate		Upper Limit Estimate	
Fund	**Distribution**	**FY 2014**	**FY 2015**	**FY 2014**	**FY 2015**
General Fund	99.848%	($1,168,045)	($1,215,373)	($1,752,067)	($1,823,060)
CRSF	0.123%	(1,439)	(1,497)	(2,158)	(2,246)
IRSF	0.029%	(339)	(353)	(509)	(529)
Total	**100.000%**	**($1,169,823)**	**($1,217,224)**	**($1,754,734)**	**($1,825,835)**

Total sales tax revenue collected from Federal Aviation Administration-registered aircraft repair locations was about $2.3 M in CY 2011. It is estimated that 44% to 65% of those purchases were items related to the repair, maintenance, refurbishment, remodeling, or remanufacturing of aircraft registered inside the United States.

Sales Tax Exemption - Research and Development Property: This provision could decrease sales tax revenue by approximately $4.7 M annually. The table below shows the estimated sales tax revenue loss due to expanding the sales tax exemption for research and development property.

Fund	Distribution	FY 2014	FY 2015
General Fund	99.848%	($4,673,897)	($4,694,128)
CRSF	0.123%	(5,758)	(5,783)
IRSF	0.029%	(1,357)	(1,363)
Total	**100.000%**	**($4,681,012)**	**($4,701,274)**

The bill expands the current sales tax exemption for certain tangible personal property purchased for research and development activities. Under current statute, the following items purchased for research and development activities are exempt from the sales tax: laboratory equipment, computers, computer software, telecommunications equipment, and testing equipment. The bill expands the exemption to cover any other tangible personal property that is purchased for the purpose of research and development activities devoted to experimental or laboratory research and development.

The revenue loss estimates are based on underlying research and development equipment spending projected through 2015 based on historic growth in spending totals. Spending that is currently exempt from the sales tax is not included. These estimates are derived from recent U.S. investment in equipment, apportioned for equipment used for research and development. A share of annual investment is allocated to Indiana based on the state's GDP relative to total U.S. GDP.

Aviation Fuel Excise Tax: This provision creates an excise tax of $0.10 per gallon of aviation fuel. The tax could increase state revenue by about $2.2 M to 2.5 M annually. Federal government agencies, Indiana state government agencies, the Indiana Air National Guard, and common carriers of passengers or freight are exempt. The bill also provides a 1.6% collection allowance for retailers who properly remit the tax. All revenue will be deposited in the state General Fund.

The tax base includes both jet fuel and aviation gasoline. The above projection is based on historic state-level consumption and price data for jet fuel and aviation gasoline compiled by the U. S. Energy Information Administration, as well as sales tax revenue data for aviation gasoline.

Hoosier Business Investment Tax Credit (HBI): This bill modifies the HBI tax credit. It defines a new award criterion for logistics investments, establishes a new credit award tier for logistics investments, and specifies that the current credit award computation applies to nonlogistics investments only. The changes are effective for taxable years beginning January 1, 2014. The revenue loss from these changes will likely begin in FY 2015, but could begin in FY 2014 if taxpayers change their quarterly estimated payments in the first half of CY 2014. The revenue loss to the state General Fund due to this provision is estimated to be $10 M per year beginning in FY 2015. The revenue loss is attributable to additional HBI credits awarded for qualified logistics investments.

Under current statute, the HBI credit equals up to 10% of the qualified investments made during the taxable year. The credit percentage is determined by the IEDC. Under the bill, the HBI credit would be computed differently for nonlogistics and logistics investments. The credit allowed under current statute would, under the bill, apply to nonlogistics investments. For logistics investments, the bill would allow the IEDC to grant a credit of up to 25% of the qualified logistics investments made during the taxable year. However, the amount of qualified logistics investments used to determine the credit is derived by taking the difference of the qualified logistics investments made in the current year and 105% of the average annual qualified logistics investments made in the prior two years. The bill limits the total amount of HBI credits for logistics investments to $10 M per fiscal year and $50 M per fiscal year for nonlogistics investments.

The estimate is based on national data compiled by the U. S. Bureau of Economic Analysis on the amount of fixed private investments by industry type. This information is used to establish the potential level of investments for which the credit could be claimed. The national data was apportioned to Indiana using the ratio of Indiana GDP to U.S. GDP. The analysis focused primarily on the transportation and warehousing industrial sectors. The annual average level of private fixed investment in structures by Indiana businesses in the transportation and warehousing sector is estimated at $459 M per year between 2000 and 2011. Using the formula from the bill, the average growth during the three positive years was approximately $50.8 M per year.

Headquarters Relocation Tax Credit (HQR): The bill makes the following changes to the HQR credit:

1. Allows the IEDC to offer the credit at a rate of up to 50% of the taxpayer's relocation costs. (The rate under current statute must equal 50%.)
2. Lowers the worldwide revenue requirement from $100 M in the prior year to $50 M in the prior year.
3. Expands the definition of a qualifying relocation to include the relocation of a division or subdivision principal office or a research and development center.

The rest of the qualifying conditions of the tax credit remain the same.

As of September 2012, the IEDC had not approved or authorized any HQR credits. However, these changes expand the number of potential qualifying firms. With the new parameters, an estimated 34,690 additional worldwide firms may qualify for the credit. A study conducted on corporate headquarters migration found that 8% to 10% of the corporate headquarters moved over a 10 year period. Assuming 1% of the potential firms move every year, there may be about 7,320 firms that may qualify for the HQR in any given year. The estimated revenue loss associated from these changes is indeterminable. The actual amount of credit a qualifying business may claim depends on the IEDC which makes the final determination on the amount of credit awarded.

Industrial Recovery Tax Credit (IR): The bill removes the vacancy duration requirement from the IR credit. Under current statute, 75% of the floor space must be vacant for at least one year to qualify for the credit. This modification will increase the potential number of industrial recovery sites across the state. In addition, the bill streamlines the application process for the IR credit. Currently, the local governing body must apply to the IEDC before a facility can be eligible for the credit. This bill allows the IEDC to make that determination without such application. The IEDC estimates that there are 237 industrial sites potentially available across the state. This bill increases the likelihood that more of those sites could qualify for the credit.

Between 1988 and 2011, the qualified investments for the IR credit represented only 0.3% of the total structural investment by Indiana manufacturers for the same period. If the changes allow it to be used for 1% of the average annual fixed structural manufacturing investments, it may reduce revenue by an estimated $1.6 M a year beginning in FY 2014. The actual revenue loss from the expansion of this credit will largely depend on the IEDC's approval process.

Venture Capital Investment Tax Credit: Under current law, the total amount of VCI credits allowed may not exceed $12.5 M in a particular calendar year. This bill permits the total VCI credits claimed by taxpayers to exceed $12.5 M per year as long as the amount of credits approved by the IEDC does not exceed $12.5 M per calendar year. This change will likely have no fiscal impact because historically both the credits certified by the IEDC and the total credits claimed by taxpayers have been well below the $12.5 M annual cap as presented in the table below.

Venture Capital Investment Tax Credit Authorization and Use Profile ($ in millions)				
Calendar Year	**Proposed Capital Investment**	**VCI Credits Awarded by IEDC**	**VCI Credits Certified by IEDC**	**VCI Credits Claimed on Tax Returns**
2008	$112.60	$7.80	$6.67	$3.39
2009	71.52	4.98	3.86	2.56
2010	77.47	6.77	4.51	3.38
2011	83.20	2.64	4.17	1.80*
* The 2011 credit amounts are not full-year totals because of filing extensions and suspensions of returns for audit.				

Repealing Tax Credits: The bill repeals the following tax credits:

1. Capital Investment Tax Credit.
2. Coal Combustion Product Tax Credit.
3. Military Base Investment Cost Credit.
4. Military Base Recovery Tax Credit.

Repealing these credits will increase revenue by approximately $14,000 beginning in FY 2015. These tax credits either have extremely low usage compared to the economic activity occurring in Indiana, or there are other credits in place that could be used to stimulate the targeted industry. The revenue estimate is based on the average credits claimed between 2005 and 2010 and current eligibility and approvals.

Repealing Airport Development Zone (ADZ) Tax Credits: The ADZs will no longer be able to the offer the following credits to taxpayers within ADZ boundaries:

1. Income Earned by ADZ Employees.
2. Employment Expense Tax Credits.
3. Loan Interest Tax Credits.
4. Neighborhood Assistance Credits.
5. Investment Cost Credits.

These credits are the same as those employed in Enterprise Zones. Repealing these credits will increase revenue by about $20,500 beginning in FY 2015. The revenue estimate is based on historic credit claims.

Income Tax Checkoff for K-12 Education: This bill adds an income tax refund checkoff allowing taxpayers to donate all or a portion of their refund to help fund public K-12 education. This is in addition to the checkoff for donations to the Indiana Nongame Fund. The option would be available beginning in tax year 2015. This provision could increase revenue to the state General Fund for public K-12 education by an indeterminable amount in FY 2015. [In tax year 2010, the Indiana Nongame Fund received about $380,000 from refunds on 25,600 returns.]

Explanation of Local Expenditures: *Interest Rates*: This provision would require all interest collected by the county treasurer on property tax bills and interest paid to taxpayers on property tax refunds to be calculated at the interest rate set by the Commissioner of the Department of State Revenue (DOR). In addition, this provision requires that the appropriate year's interest rate applies for each year of the interest calculation.

This provision could increase or reduce interest payments to taxpayers, depending on whether the DOR interest rate is higher or lower than the current 4% rate for a given year. Property tax refunds reduce current year property tax collections for civil taxing units and school corporations.

Under current law, the interest rate used to compute interest payments to a taxpayer who receives a property tax refund because of a reduction in assessed value is 4% per year. The 2013 DOR interest rate is 3%. The last five years of DOR interest rates are as follows:

Year	Interest Rate
2009	7%
2010	4%
2011	9%
2012	4%
2013	3%

The interest rate on property tax refunds is currently equal to the rate set by the DOR if the taxes are refunded because:

(1) Taxes were paid more than once;
(2) The taxes were illegal; or
(3) There was a mathematical error in the computation of either the assessment or the taxes.

Interest paid by taxpayers for additional taxes billed because of assessments made or increased after the tax due date is also currently charged at the DOR rate.

Explanation of Local Revenues: *Abatements*: Currently, designating bodies may use the statutory abatement schedules or they may use an alternative abatement schedule. In the alternative schedule, the percentage of deduction and the length of the abatement, not to exceed 10 years, is set by the designating body based on the following factors:

1. The total amount of the taxpayer's investment.
2. The number of new jobs created and the average wage as compared to minimum wage.
3. The infrastructure requirements for the taxpayer's investment.

This bill repeals the statutory schedule and requires designating bodies to establish an abatement schedule for each deduction allowed. Most deductions would be unaffected as the alternative schedules may now be used in most cases.

However, under current law, abatements in residentially distressed areas are limited to five years rather than 10 years. Also, abatements for eligible vacant buildings are limited to two years. Under this provision, the designating body could authorize all abatements for up to 10 years. The terms of each abatement would be a local decision.

Common Areas: The bill defines common areas for purposes of the circuit breaker cap beginning with taxes payable in CY 2014. CY 2012 tax bills for apartments and other non-homestead residential property were examined to estimate the fiscal impact of this provision. The application of the 2% cap to the entire property would have reduced net taxes and increased revenue losses due to the circuit breaker in CY 2012 by a total of about $17.2 M. Apartment net taxes would be reduced by $8.3 M while other non-homestead residential property taxes would be reduced by about $8.9 M. Property tax refunds reduce current year property tax revenue for the taxing units that provide services to the property. The estimated annual revenue loss in future years is about the same.

The treatment of common areas as residential property for circuit breaker purposes also makes them eligible for residential property tax credits that counties may optionally provide from LOIT revenues. A fixed total amount of credits is spread among all eligible residential properties in the county. The additional eligible properties would cause a very slight decrease in residential credits for existing residential property.

[Under current law, residential property that is not a homestead is subject to the 2% circuit breaker cap. Non-homestead residential property includes the dwelling, common areas, and land matching the building footprint. Beginning with taxes payable in CY 2014, this bill would define common areas to include roads, swimming pools, tennis courts, basketball courts, playgrounds, carports, garages, other parking areas, gazebos, decks, and patios, and all land used in connection with a building or structure. Most of these items currently qualify under the 3% circuit breaker cap but would qualify for the 2% cap under this bill.]

Homestead Deductions: This provision could extend the standard deduction, supplemental standard deduction, and 1% circuit breaker cap to properties that initially don't qualify because construction of the dwelling was not completed by the assessment date. Additional deductions cause a property tax shift from the taxpayers receiving the deduction to all other taxpayers. The application of the 1% property tax cap could increase in the amount of lost revenues due to the cap.

Under the bill, a taxpayer would receive the standard deduction on a newly constructed home if all the following conditions are met:

(1) The taxpayer interest is conveyed after the assessment date.
(2) Either the property was vacant or the construction on the dwelling was incomplete, on the assessment date.
(3) The taxpayer files the deduction application by December 3.

(4) The taxpayer files a statement with the county auditor that lists other property that would otherwise receive the deduction and cancels the deduction on that property.

Under current law, homesteads receive a standard deduction worth 60% of AV up to $45,000. Homesteads also receive the supplemental standard deduction worth 35% on the first $600,000 of net AV after the standard deduction plus 25% of the net AV that exceeds $600,000. Homestead property is also subject to a 1% circuit breaker cap.

[A homestead is defined as an individual's principal residence that the individual owns, is buying under contract, is entitled to occupy as a tenant-stockholder of a cooperative housing corporation, or one that is owned by certain trusts.]

Exempt Property - Church: Under this provision, owners of certain real property would receive an exemption from property tax for taxes payable in 2008 and 2009 if:

(1) The owner purchased the real property in June 2007, and has used the property for church purposes since that time;
(2) The owner filed a property tax exemption application for the property in June 2007; and
(3) The owner files an exemption application before September 1, 2013.

Under this provision, the exemption would be applied retroactively, and the 2008 and 2009 tax bills along with all penalties and interest would be cancelled.

One taxpayer, in St. Joseph County, has been identified as qualifying for an exemption under this provision. The taxes billed for 2008 and 2009 total approximately $49,000. For 2008 and 2009, the local taxing units and school corporation located in the affected taxing district would forego receipt of their share of the amount due.

Exempt Property - Marion County: Under this provision, owners of real and personal property located in Marion County would receive an exemption from property tax for taxes payable in 2012 and 2013 if:

(1) The owner owns multiple parcels of real property in Marion County that are used for educational, literary, scientific, religious, or charitable purposes;
(2) The owner would have qualified for the exemption if it had been timely filed; and
(3) The owner files an exemption application before September 1, 2013.

Under this provision, the exemption would be applied retroactively, and the 2012 tax bill would be cancelled. One taxpayer has been identified as qualifying for an exemption under this provision. The taxes billed for 2012 equal approximately $59,535. The local taxing units and school corporation located in the affected taxing district would forego receipt of their share of the amount due for 2012 and 2013.

Exempt Property - Ministry: Under this provision, owners of real property located in Marion County would receive an exemption from property tax for taxes payable in 2012 and 2013 if:

(1) The owner is exempt from federal income taxes;
(2) The owner owns a vacant parcel of real property in Marion County that is used for educational, literary, scientific, religious, or charitable purposes;

(3) The owner acquired the eligible property after the 2012 assessment date and redeemed the eligible property after it was sold for delinquent taxes in 2012;
(4) The owner would have qualified for the exemption in 2012 and 2013 if it had been timely filed; and
(5) The owner files an exemption application before September 1, 2013.

Under this provision, the tax bills for 2012 and 2013 would be cancelled. The ministry would also be entitled to a refund for any back taxes, penalties, and interest paid with respect to the eligible property, or for any amount paid to redeem the eligible property.

One taxpayer has been identified as qualifying for an exemption under this provision. The amount paid to redeem the property in 2012 is estimated at approximately $9,161.The tax bill for 2013 is estimated at approximately $4,128. For 2012, and 2013, if applicable, the local taxing units and school corporation located in the affected taxing district would forego receipt of their share of the amount due.

Exempt Property - Grant County: Under this provision, the owners of certain real property would receive an exemption from property tax for taxes payable in 2013 and 2014 if:

(1) The property is a historic landmark in Grant County;
(2) The owner is exempt from federal income taxes;
(3) The owner purchased the property after March 1, 2011; and
(4) The owner files an exemption application before September 1, 2013.

Under this provision, the exemption would be applied retroactively to taxes payable in 2013 and prospectively to the 2014 tax bill.

One taxpayer has been identified as qualifying for an exemption under this provision. The total taxes billed for 2013 were $2,988. The local taxing units and school corporation located in the affected taxing district would forego receipt of their share of the amount due. For taxes payable in 2014, the exemption would remove the property's assessment from the tax base. The tax rate would increase and the taxes would be shifted from the property receiving the exemption to all other taxpayers.

Rainy Day Fund Transfers: This provision would prohibit transfers of funds from a taxing unit's debt service fund to its RDF. The possibility that debt service fund levies could increase as a result of the RDF transfers is eliminated by this provision.

[Under HEA 1145-2013, taxing units are permitted to transfer unused and unencumbered funds at any time and from any year to the RDF. The maximum amount of each transfer equals 10% of the total annual budget in the fiscal year with no annual limit to the number or amount of transfers. If a taxing unit were to transfer money from a debt service fund to the RDF, the operating balance in the debt service fund could fall below the 50% level allowed by the Department of Local Government and Finance. In such a case, the taxing unit may be permitted to increase its debt service levy in the following year in order to restore the 50% operating balance.]

Sales Tax Exemptions: Local revenue could decrease to the extent that a local unit receives distributions from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

State Agencies Affected: Department of State Revenue; Indiana Economic Development Corporation;

Department of Local Government and Finance.

Local Agencies Affected: Airport Development Zones; Local assessors; County auditors; County treasurers; Local civil taxing units and school corporations; Counties;

Information Sources: U.S. Bureau of Economic Analysis, *Table 5.4.5. Private Fixed Investment in Structures by Type, Table 5.5.5. Private Fixed Investment in Equipment and Software by Type*, *GDP by State: Indiana,* accessed on December 20, 2012, LSA Income Tax Database; LSA, *Indiana Income Tax Credit Study: Hoosier Business Investment Tax Credit,* September 2012; September 2012; Dun & Bradstreet: Million Dollar Database; Eric Shields, IEDC, 317-234-3997; Shane Corbin, Department of State Revenue; U.S. Census Bureau; U.S. Energy Information Administration; LSA Property Tax Database; Revenue Technical Committee, *State Revenue Forecast, Fiscal Year 2015,* December 17, 2012; Courtney Schaafsma, Department of Local Government Finance, 317-232-3777.

Fiscal Analyst: Heath Holloway, 232-9867; Bob Sigalow, 317-232-9859; Lauren Sewell, 317-232-9586.